

MORETELE LOCAL MUNICIPALITY



DRAFT BUDGET
2014/15- 2016/17 MTREF

Mayor's Report No. 1204-03-2014**Draft Medium Term Revenue and Expenditure Framework (MTREF) budget for 2014/15, 2015/16 to 2016/17 Financial Years.****Report of the Executive Mayor****Reporting Flow:****Executive Committee****Council****1. Purpose**

The purpose of the report is to seek approval from EXCO and Council to consider the draft budget for 2014/2015 to 2016/17 Medium Term Revenue and Expenditure Framework (MTREF), as well as budget related policies and tariffs.

2. Background

In term of Section 16 of the Municipal Finance Management Act (MFMA) No. 56 of 2003 , the council of the municipality must for each year approve an annual budget for the municipality before the start of the financial year.

Sub section (2) states that the municipal council must at least 90 days before the start of the budget year consider approval of the annual budget.

The budget is the principal instrument to be applied in effecting the municipality's service delivery strategies as enunciated in its integrated development plan (IDP).

3. Budget summary

The challenge for the municipality is to do more within its existing resources by reprioritizing money from low-priority programmes to high-priority programmes. The guideline provided by National Treasury on Circular 70 has been considered and tough decision has to be made to

ensure that non-essential expenditure is avoided. This budget of the municipality remains under pressure due to low growth on municipal revenues and cash flows constraints.

4. Overview of the budget process, the alignment of the annual budget with the IDP.

It must be noted that the integrated development plan has been reviewed and this process has allowed the municipality to re-examine its plans and strategies that inform the institutional, financial, infrastructure planning as well as local economic development through the entire budget process.

A sound budget optimally allocates the realistically anticipated resources of the municipality to the achievement of the defined performance objectives and priorities in the municipality's integrated development plan (IDP).

5. Key factors which influenced the budget are as follows:

National Treasury MFMA Circulars 70 was used to guide the compilation of the municipality's budget and medium term revenue and expenditure framework (MTREF) for the 2013/2014 financial year. The budget had to demonstrate cost containment

The Division of Revenue bill which contains the grants and subsidies from National and provincial department, as only the allocation in the gazette must be included in the annual budget.

Given the precarious cash flow position of the municipality, there was the urgent need to prioritize projects and expenditure within the realistically anticipated resources.

The need to fill critical positions in the organogram to reduce reliance on consultants. The council adopted the lekgotla resolutions, which had outline key priority list of positions that has to be budgeted in 2014/15 budget. **There are 12 positions which must be filled on 1st August 2014**

The following principles were taken into consideration in the compilation of the 2014/15 MTREF.

- The priorities and guidelines of the 2013/14 Adjustments Budget were used as a basis for establishing baselines for the 2014/15 budget.
- No provisions will be made for national and provincial funded projects unless the relevant grant has been gazetted as required by the annual Division of Revenue Act.
- Generally, increases in tariff and property rates should be affordable in comparison with the inflation rate but the increases are to be cost-reflective in cases where the increases in input costs are beyond the control of the municipality, for example, the cost of bulk water.
- Individual consultation with respective directorates on their budget inputs
- The Lekgotla resolutions taken during the February 2014

6. Budget Assumptions

- Salary budget is projected on an increase of 6.8% for municipal staff and councilors for the 2014/15 financial year, (average CPI of 5.8% plus 1%).
- Bulk purchases provided on increase of as per City Of Tshwane's increases.
- Increases on revenue income is between 3% to 5,5%.

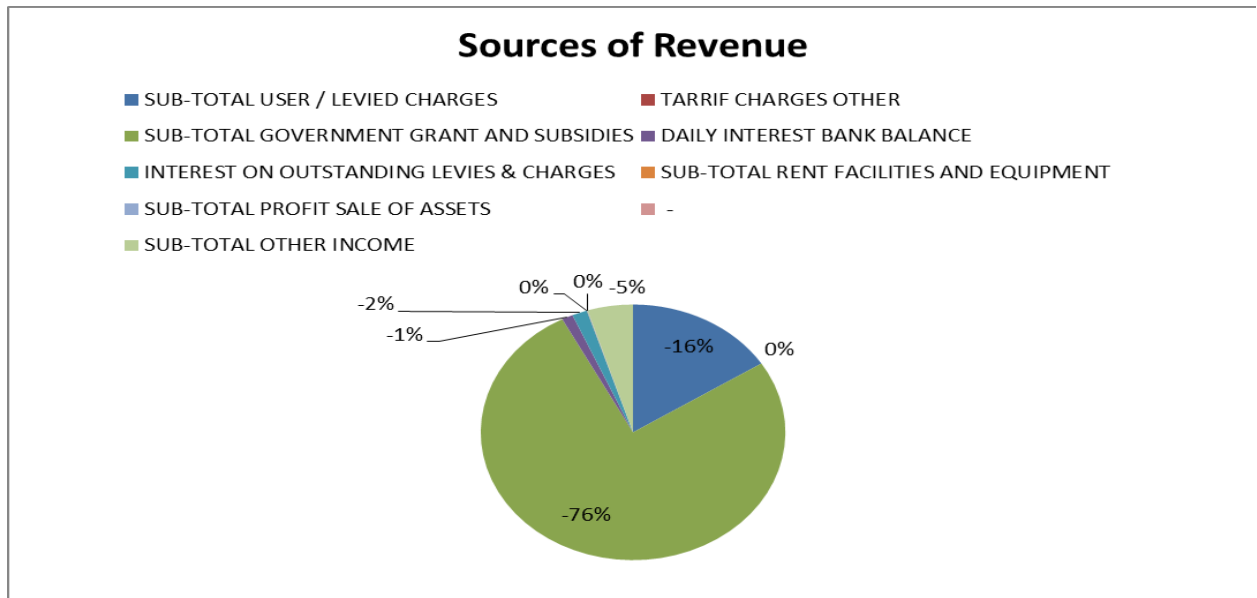
7. Operating Revenue Budget

	2013/2014	2013/14	2014/2015	2015/2016	2016/2017	Variances
<u>INCOME</u>	Draft	Adjusted Budget	Draft	Draft	Draft	Adjusted budget vs 2014/15
SUB-TOTAL USER / LEVIED CHARGES	-35,871,582	-48,363,942	-50,314,440	-53,132,048	-56,107,443	4%
OTHER SERVICE CHARGES	-2,550	-2,550	-2,680	-2,830	-	5%
SUB-TOTAL GOVERNMENT GRANT AND SUBSIDIES	-188,245,000	-188,245,000	-219,610,050	-271,693,230	-281,568,991	17%
INTEREST	-10,646,023	-8,646,023	-8,741,129	-9,230,632	-9,747,548	1%
SUB-TOTAL RENT FACILITIES AND EQUIPMENT	-307,200	-307,200	-95,000	-100,320	-105,938	-69%
SUB-TOTAL PROFIT SALE OF ASSETS	-150,000	-150,000	-157,650	-166,478	-175,801	5%
SUB-TOTAL OTHER INCOME	-756,981	-756,981	-27,130,972	-3,632,853	-3,836,292	3484%
TOTAL OPERATING INCOME	-235,979,336	-246,471,696	-306,051,921	-337,958,392	-351,542,013	24%

Compared to the 2013/15 Adjustment Budget, total operating income for the 2014/15 financial year has risen by R 59,580,224.65 or 24%. The property rates is increased with the CPI. The operating income for the outer years of the MTREF will grow by 29% and 36%

respectively compared to the 2013/14 Adjustments Budget. The growth in revenue is due to the increase in grants, especially equitable share.

The pie chart illustrating the operating revenue



7.1 Revenue on Government Grants

Grants have increase by million thus moving from R188 million to R219 million as compared to 2013/14 adjusted budget.

The anticipation grants revenue has been gazetted in the Division of Revenue Bill.

- **Operating grants are:**

- ⇒ Equitable share has increased from R 177,2 million to R209,5 million.
- ⇒ Finance management grants R1,5 million to R1,6 million.
- ⇒ Municipal system improvement grants R890 thousand to R934 thousand.
- ⇒ LGSETA Grant R2,9 million

- **Capital grants**

- ⇒ MIG R98 million to R99 million
- ⇒ EPWP increased from R1,1 million to R2,4 million
- ⇒ Water and operating subsidy increased from R3 million to R10 million

7.2 Revenue on Trading Services

The average increase on tariff on other services ranges from 3 % to 5,5%. The low increase on trading services, especially water is based on the collection rate of below 20% in 2013/15 financial year. Our focus is to implement revenue enhancement quick wins to improve collections and maintains clean data, so that all consumers are billed monthly. We are mindful that, we should recover costs of delivering services, and with the working together of councilors and community, the increase on revenue will be realized.

7.2.1 Indigent Support

The budget assist our communities with the following social packages:

- 10 kl free basic water and refuse at a cost of R6,2 -million
- 50kWh free basic electricity at a cost of R5 –million for alternative energy source
- Free property tax R2,6 –million

7.3 Other income

The increase on the other income from R756 981 to R27,130, 972 it due to the inclusion of VAT incentives on grants at R23.7 million and LGSETA grants to the amount of R2.9 million .

8. Operating Expenditure

Table 8(a): Summarized Operating Expenditure Budget

	2013/2014	2013/14	2014/2015	2015/2016	2016/2017	Variances
	Draft	Adjusted Budget	Draft	Draft	Draft	Adjusted budget vs 2014/15
TOTAL EMPLOYEE/COUNCILLORS RELATED C	77,566,587	78,145,708	91,762,087	97,584,736	102,995,684	17%
SUB-TOTAL GENERAL EXPENSES DEPARTEMEN	77,900,160	84,976,920	89,917,579	99,774,071	105,361,419	6%
SUB-TOTAL GEN EXPEND BULK PURCHASES	45,000,000	45,000,000	61,295,000	64,727,520	68,352,261	36%
SUB-TOTAL GENERAL EXPEN - CONTR SERVICE	15,962,665	19,262,665	27,902,066	28,754,950	30,365,227	45%
SUB-TOTAL LOSS ON SALE OF ASSETS	-	-	-	-	-	
TOTAL REPAIR AND MAINTENANCE	9,952,248	11,163,576	16,904,570	15,209,754	16,267,714	51%
TOTAL DEPRECIATION	5,727,851	4,227,851	5,869,972	4,698,690	4,980,612	39%
TOTAL EXPENDITURE	232,109,511	242,776,721	293,651,274	310,749,722	328,322,917	21%

The major adjustments or movements of budget from initial budget and adjustment budget to the proposed budget for 2014/15 financial year, are:

8.1 Staff related cost

Salary budget constitute 31% of the total operating budget for 2014/15. There is an increase of 17% when compared with the 2013/14 adjusted budget, the increase is made of the 6.8% annual salary increase, 12 new posts in 2014/15 and positions which were not budgeted fully in the prior year budget but phased in as per priority lists. The municipality has not implemented the salary wage curve. Only one notch system has been in use since the inception of the municipality.

8.2 General expenses

The general expenditure has a share of 30% of the total operating budget. Shown below are the general expenses major line items which had major increase

- Professional Services it was budgeted as R11,1 million and for 2014/15 will be R17,1 million. It has increased by R5,7 million.
- License fees was R 1,8 million and next year's budget is R2,9 million
- Water debt Impairment was R3 million and for 2014/15 is R8.3 million which shows an increase of R5.3 million. As the major debt on the age analysis per service type water service is the one with the biggest debt, that is the reason for the increase in water debt impairment line item.
- Fuel and Lubricant was budget at R1.6 million and will increase by R1 million, which makes the next year's budget to be R2.7 million due to several increases of fuel.
- Training and capacity building budget was R1.6 million and it will increase to R4.4 million this is due to the LGSETA grants approved.
- Wards committees was budgeted at R3.2 million and it has moved to R5.2 million there is an increase of R2.million due increase on ward committee stipends.

8.3 Bulk purchase

- Increase in bulk purchase for water is R61 million, municipality has being owing City of Tshwane since 2006, the debt is currently at R64m million. A reviewed agreement is underway with COT, municipality will pay extra R16 million to service the debt and pay its monthly purchases, projected at the total value of R45 million.

8.4 Contracted Services

- On water supply in Moretele is still a challenges, this forces the municipality to augment water supply by using water tankering in areas where there is no reticulation or boreholes. Currently municipality spent R240 000 per month on cost of transporting the water. The total costs for 2014/15 is projected at the value of R2,8 million. The Department of DWA is funding the refurbishment on boreholes as a medium solution, and two 6ML of reservoir's are under contraction to add on storage, the project will be completed in the first quarter on the next financial year. R2 million has been set aside to deal with water demand and losses, service provider is appointed to fix all the leakages and replace the meters.
- The cleansing services will increase from R9.8million to R12.8 which will result in an increase of R3.million for waste management services has been budgeted, the reason for increase is that the initial budget of R6,5 million in 2012/13 had rendered the service ineffective, which resulted in terminating the contract. Mechanisms to run the service in house proved to be unsuccessful.
- Security services has grown from R5,5 million to R10.2 million The growth is guided by PSRIRA rates

8.5 Consulting Services

- Mechanisms of reducing reliance on consultants are in place, R2m has been budgeted for VAT review for previous financial years. Municipality is performing in-house VAT return submission, the service provider will only work on the past years declarations.
- Asset and financial statement compilation has a budget of R4m, the reason for external assistance is to deal with legacy issue, which were problematic during the 2012/13 audit that had affected the audit outcome.
- Call center has a budget of R5.4 million, this is other mechanisms of communication tool with members of community, to ensure that queries are reported and handled within required timeframes, to avoid community protests.
- PMS has a budget of R772,750, for the assessment of the section 57, Senior and middle managers
- HR and Corporates Services has a budget of R 5.8 million for the IT and HR sub units

8.6 Repairs and Maintenance

The Treasury guide emphasis that 8% of the operating budget should be allocated to repairs and maintenance. The budget for repairs and maintenance covers water infrastructure ,building, vehicles, roads and storm water, sewer treatment plant, high mast light and refurbishment of boreholes. In terms of roads, province is responsible for all roads within Moretele, we are only responsible for access roads. Less provision is allocated to roads, because most of our access roads are still on construction. R11,7 million to R16.9 million

Allocations of funds to repairs and maintenance and the renewal of existing infrastructure must has been prioritized to renew infrastructure. The budget for 2014/15 has grown from 5% to 6%. In previous years there was no budget for Assets renewal and now in the 2014/15 financial year there will be an assets renewal of R11.2 million. The municipality has not yet developed asset maintenance plan, but the measures have been put in place to work on replacement/ renewal of ageing assets. It is vital that municipality manage its assets and ensures that the requirements of GRAP 17 are adhered to.

Table 8(b). The pie chart illustrating the operating Expenditure

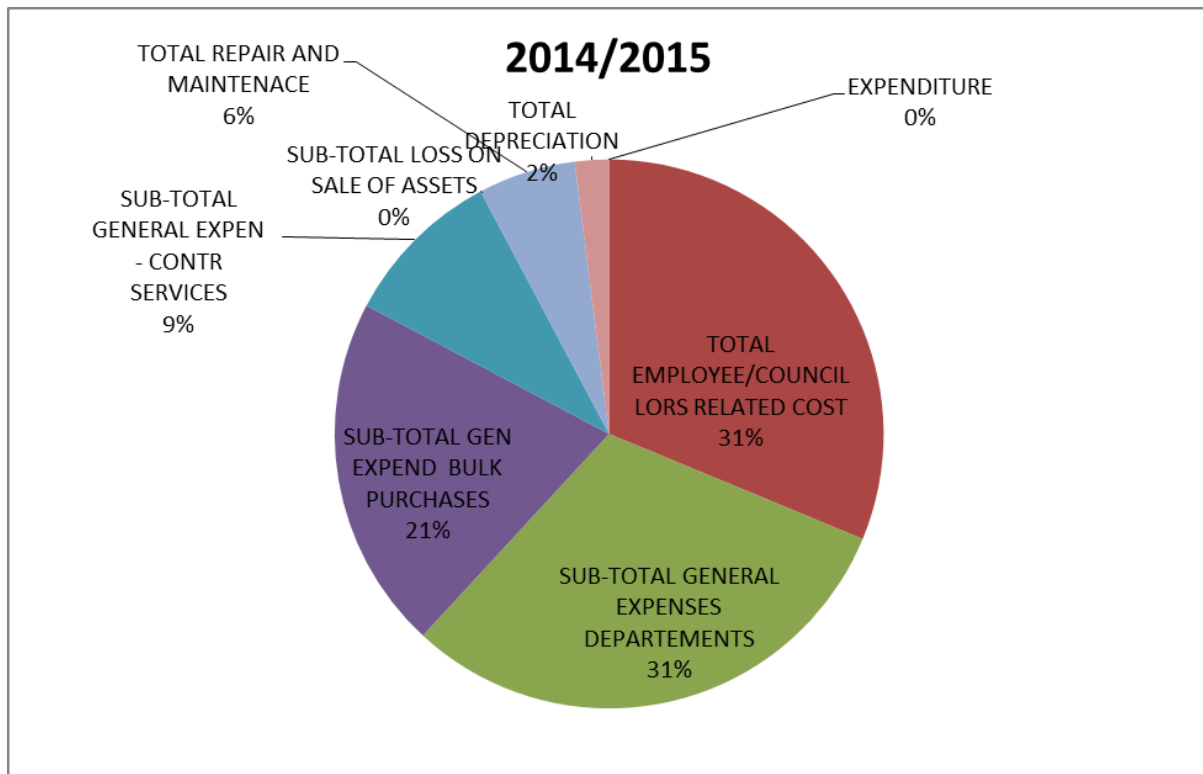
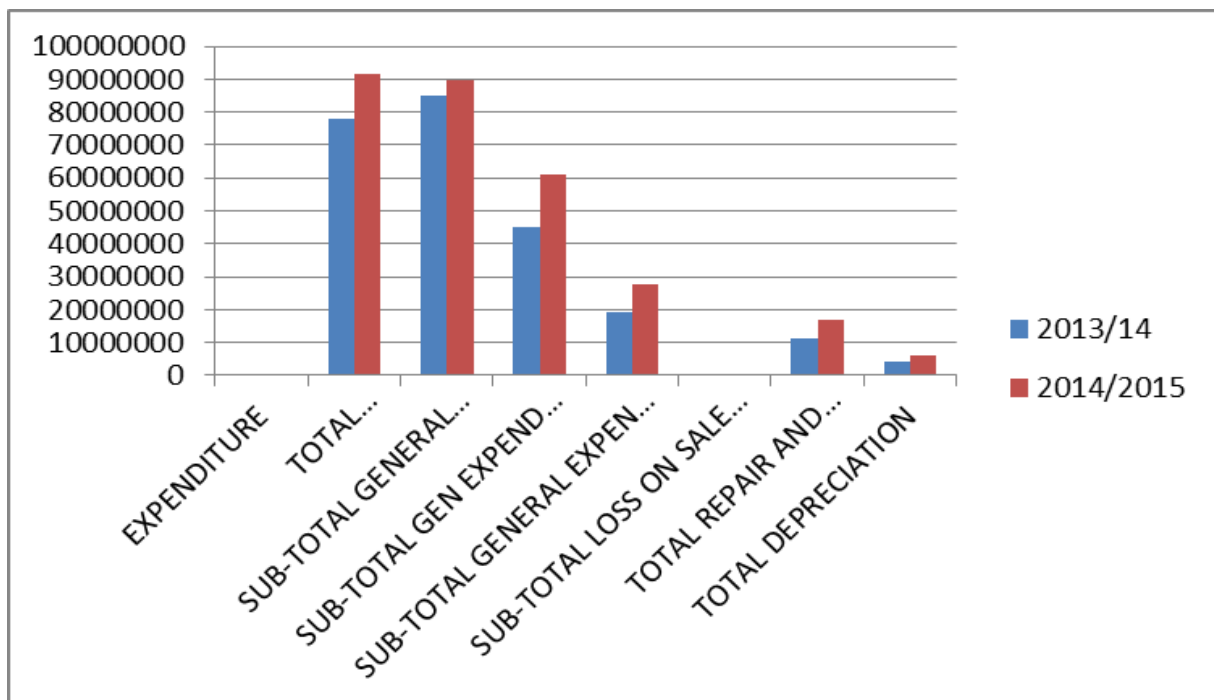


Table 8(c). The Graph illustrating two comparative financial years on the operating expenditure



Departmental Budget

Council and Council

	2013/2014	2013/14	2014/2015	2015/2016	2016/2017
	Draft	Adjusted Budget	Draft	Draft	Draft
EXPENDITURE					
TOTAL EMPLOYEE/COUNCILLORS RELATED COST	27,618,231	30,346,386	32,713,795	34,973,786	37,035,156
SUB-TOTAL GENERAL EXPENSES DEPARTEMENTS	17,940,352	19,524,330	21,077,954	22,258,319	23,504,785
SUB-TOTAL GEN EXPEND BULK PURCHASES	-	-	-	-	-
SUB-TOTAL GENERAL EXPEN - CONTR SERVICES	8,222,500	8,222,500	12,000,000	12,672,000	13,381,632
SUB-TOTAL LOSS ON SALE OF ASSETS	-	-	-	-	-
TOTAL REPAIR AND MAINTENACE	-	11,163,576	-	-	-
TOTAL DEPRECIATION	-	-	-	-	-
TOTAL EXPENDITURE	53,781,083				
	2013/2014	2013/14	2014/2015	2015/2016	2016/2017
	Draft	Adjusted Budget	Draft	Draft	Draft
INCOME					
SUB-TOTAL USER / LEVIED CHARGES					
OTHER SERVICE CHARGES					
SUB-TOTAL GOVERNMENT GRANT AND SUBSIDIES					
INTEREST					
SUB-TOTAL RENT FACILITIES AND EQUIPMENT	-				
SUB-TOTAL PROFIT SALE OF ASSETS	-				
SUB-TOTAL OTHER INCOME	-25,824				
TOTAL OPERATING INCOME	-25,824	-	-	-	-

Municipal Manager's Office

	2013/2014	2013/14	2014/2015	2015/2016	2016/2017
	Draft	Adjusted Budget	Draft	Draft	Draft
TOTAL EMPLOYEE/COUNCILLORS RELATED COST	3,814,828	5,288,389	6,648,194	7,073,678	7,526,394
SUB-TOTAL GENERAL EXPENSES DEPARTEMENTS	1,823,230	1,823,230	2,722,207	2,874,651	3,035,631
SUB-TOTAL GEN EXPEND BULK PURCHASES	-	-	-	-	-
SUB-TOTAL GENERAL EXPEN - CONTR SERVICES		-	-	-	-
SUB-TOTAL LOSS ON SALE OF ASSETS	-	-	-	-	-
TOTAL REPAIR AND MAINTENACE	-	11,163,576	-	-	-
TOTAL DEPRECIATION	-	-	-	-	-
TOTAL EXPENDITURE	5,638,058	7,111,619	9,370,401	9,948,329	10,562,025
	2013/2014	2013/14	2014/2015	2015/2016	2016/2017

Budget and Treasury Office

	2013/2014	2013/14	2014/2015	2015/2016	2016/2017
	Draft	Adjusted Budget	Draft	Draft	Draft
EXPENDITURE					
TOTAL EMPLOYEE/COUNCILLORS RELATED COST	14,587,739	14,551,549	16,322,339	17,366,969	18,478,455
SUB-TOTAL GENERAL EXPENSES DEPARTEMENTS	10,772,882	22,477,558	14,794,952	18,376,045	19,405,103
SUB-TOTAL GEN EXPEND BULK PURCHASES	-	-	-	-	-
SUB-TOTAL GENERAL EXPEN - CONTR SERVICES	-	-	-	-	-
SUB-TOTAL LOSS ON SALE OF ASSETS	-	-	-	-	-
TOTAL REPAIR AND MAINTENANCE	-	11,163,576	-	-	-
TOTAL DEPRECIATION	-	-	-	-	-
TOTAL EXPENDITURE	25,360,621	48,192,683	31,117,291	35,743,014	37,883,558
INCOME					
SUB-TOTAL USER / LEVIED CHARGES	-7,360,766	-19,853,126	-21,233,485	-22,422,561	-23,678,224
OTHER SERVICE CHARGES	-2,550	-2,550	-2,680	-2,830	-
SUB-TOTAL GOVERNMENT GRANT AND SUBSIDIES	-179,707,000	-179,707,000	-212,087,000	-263,833,904	-273,321,755
INTEREST	-10,646,023	-8,646,023	-8,741,129	-9,230,632	-9,747,548
SUB-TOTAL RENT FACILITIES AND EQUIPMENT	-307,200	-307,200	-95,000	-100,320	-105,938
SUB-TOTAL PROFIT SALE OF ASSETS	-150,000	-150,000	-157,650	-166,478	-175,801
SUB-TOTAL OTHER INCOME	-731,157	-731,157	-513,060	-541,791	-572,132
TOTAL OPERATING INCOME	-198,904,696	-209,397,056	-242,830,005	-296,298,517	-307,601,397

Human Resource and Corporate Services

	2013/2014	2013/14	2014/2015	2015/2016	2016/2017
	Draft	Adjusted Budget	Draft	Draft	Draft
EXPENDITURE					
TOTAL EMPLOYEE/COUNCILLORS RELATED COST	13,339,600	13,888,034	15,778,442	16,788,262	17,862,711
SUB-TOTAL GENERAL EXPENSES DEPARTEMENTS	18,039,085	16,114,254	22,824,177	24,102,331	25,452,061
SUB-TOTAL GEN EXPEND BULK PURCHASES	-	-	-	-	-
SUB-TOTAL GENERAL EXPEN - CONTR SERVICES	6,685,165	6,985,165	10,350,066	10,929,670	-
SUB-TOTAL LOSS ON SALE OF ASSETS	-	-	-	-	-
TOTAL REPAIR AND MAINTENANCE	1,254,213	11,163,576	2,910,200	3,073,171	-
TOTAL DEPRECIATION	5,727,851	4,227,851	5,869,972	4,698,690	4,980,612
TOTAL EXPENDITURE	45,045,915	52,378,881	57,732,857	59,592,124	48,295,384
INCOME					
SUB-TOTAL USER / LEVIED CHARGES	-	-	-	-	-
OTHER SERVICE CHARGES	-	-	-	-	-
SUB-TOTAL GOVERNMENT GRANT AND SUBSIDIES	-	-	-	-	-
INTEREST	-	-	-	-	-
SUB-TOTAL RENT FACILITIES AND EQUIPMENT	-	-	-	-	-
SUB-TOTAL PROFIT SALE OF ASSETS	-	-	-	-	-
SUB-TOTAL OTHER INCOME	-	-	-2,900,000	-3,062,400	-3,233,894
TOTAL OPERATING INCOME	-	-	-2,900,000	-3,062,400	-3,233,894

Technical Services

	2013/2014	2013/14	2014/2015	2015/2016	2016/2017
	Draft	Adjusted Budget	Draft	Draft	Draft
TOTAL EMPLOYEE/COUNCILLORS RELATED COST	11,946,068	9,418,376	12,111,315	12,886,440	13,711,172
SUB-TOTAL GENERAL EXPENSES DEPARTEMENTS	24,504,374	19,785,563	23,535,202	26,977,689	28,488,440
SUB-TOTAL GEN EXPEND BULK PURCHASES	45,000,000	45,000,000	61,295,000	64,727,520	68,352,261
SUB-TOTAL GENERAL EXPEN - CONTR SERVICES	1,055,000	4,055,000	4,880,000	5,153,280	5,441,864
SUB-TOTAL LOSS ON SALE OF ASSETS	-	-	-	-	-
TOTAL REPAIR AND MAINTENACE	8,226,035	11,163,576	10,998,298	11,614,202	12,264,598
TOTAL DEPRECIATION	-	-	-	-	-
TOTAL EXPENDITURE	90,731,477	89,422,515	112,819,815	121,359,131	128,258,334
INCOME					
SUB-TOTAL USER / LEVIED CHARGES	-28,510,816	-28,510,816	-29,080,954	-30,709,488	-32,429,219
OTHER SERVICE CHARGES	-	-	-	-	-
SUB-TOTAL GOVERNMENT GRANT AND SUBSIDIES	-8,188,000	-8,188,000	-7,523,050	-7,859,326	-8,247,236
INTEREST	-	-	-	-	-
SUB-TOTAL RENT FACILITIES AND EQUIPMENT	-	-	-	-	-
SUB-TOTAL PROFIT SALE OF ASSETS	-	-	-	-	-
SUB-TOTAL OTHER INCOME	-	-	-	-	-
TOTAL OPERATING INCOME	-36,698,816	-36,698,816	-36,604,004	-38,568,814	-40,676,455

Community Development Services

	2013/2014	2013/14	2014/2015	2015/2016	2016/2017
	Draft	Adjusted Budget	Draft	Draft	Draft
TOTAL EMPLOYEE/COUNCILLORS RELATED COST	6,260,121	4,652,974	8,188,002	8,673,807	9,228,930
SUB-TOTAL GENERAL EXPENSES DEPARTEMENTS	4,820,236	5,251,986	4,963,087	5,185,036	5,475,398
SUB-TOTAL GEN EXPEND BULK PURCHASES	0	0	0	0	0
SUB-TOTAL GENERAL EXPEN - CONTR SERVICES	-	-	-	-	-
SUB-TOTAL LOSS ON SALE OF ASSETS	-	-	-	-	-
TOTAL REPAIR AND MAINTENACE	472,000	11,163,576	696,072	735,052	553,187
TOTAL DEPRECIATION	-	-	-	-	-
TOTAL EXPENDITURE	11,552,357	21,068,536	13,847,161	14,593,895	15,257,516
INCOME					
SUB-TOTAL USER / LEVIED CHARGES	-	-	-	-	-
OTHER SERVICE CHARGES	-	-	-	-	-
SUB-TOTAL GOVERNMENT GRANT AND SUBSIDIES	-350,000	-350,000	-	-	-
INTEREST	-	-	-	-	-
SUB-TOTAL RENT FACILITIES AND EQUIPMENT	0	-	-	-	-
SUB-TOTAL PROFIT SALE OF ASSETS	0	-	-	-	-
SUB-TOTAL OTHER INCOME	0	-	-	-	-
TOTAL OPERATING INCOME	-350,000	-350,000	-	-	-

9. Capital Budget

Total capital expenditure for the 2014/15 financial year will increase by 5% compared to the 2013/14 Adjustments Budget and the capital expenditure for 2015/16 will increase by a 6% in comparison to the 2013/14 Adjustments Budget. Compared to the 2012/13

Adjustments Budget, the capital expenditure for the 2016/17 financial year will increase by 21%. The capital includes R11.2 million of assets renewal.

The budget is prioritised as per service delivery backlogs, water has been given first priority, followed by sanitation which has backlog of 63%, followed by roads, electricity on high mast light, cemeteries and community projects(sport facilities and community halls)

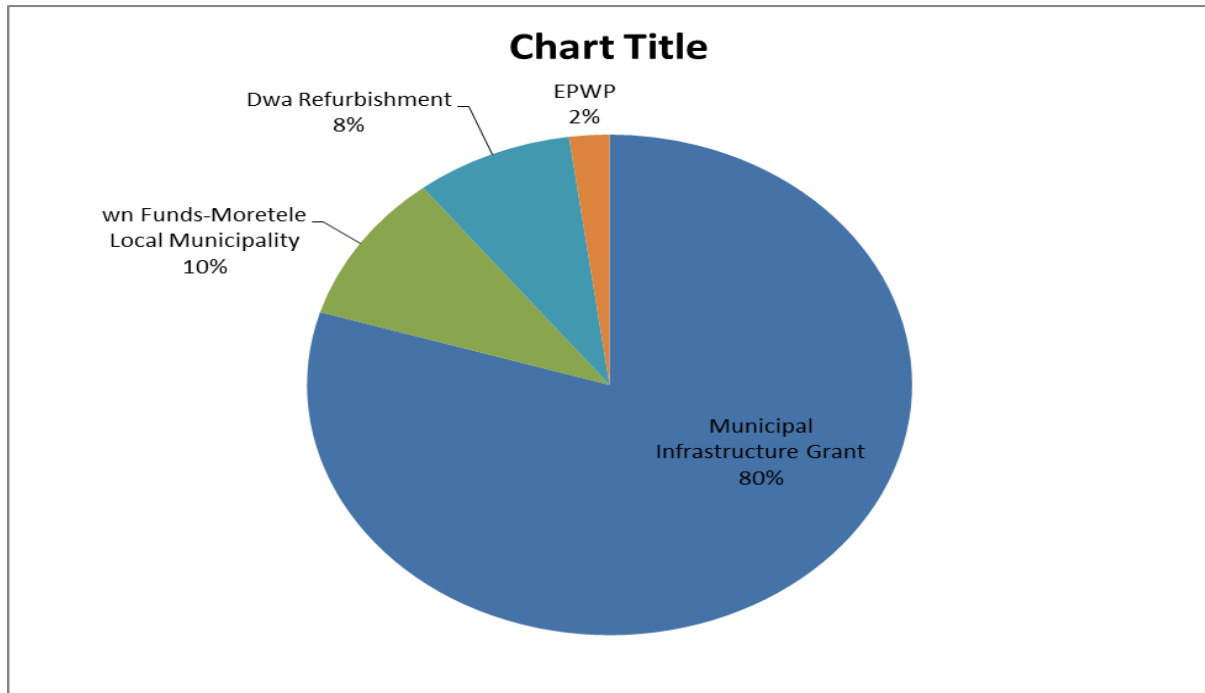


Table 9(a) : Pie Chart Summarizing Sources of Finance for Capital Expenditure Budget

5.1 Infrastructure Budget

Table 5(b): Summarized Sources of Finance for Capital Expenditure Budget

Description	Adjustment Budget	Budget Year	Budget Year	Budget Year	% variance on adjusted vs 2013/14 budget
	2013/14	2014/15	2015/16	2016/17	
Municipal Infrastructure Grant	94,160,000	94,563,950	106,278,650	110,930,226	0%
Provincial Infrastructure Grant	14,000,000				100%
wn Funds-Moretele Local Municipality	3,500,000	11,556,000	13,300,000	25,300,000	-230%
RollOvers					0%
Dwa Refurbishment		10,000,000			0%
EPWP	1,175,000	2,546,000			-117%
TOTAL	112,835,000	118,665,950	119,578,650	136,230,226	-5%

Capital Expenditure

Project Description							
	MIG 2014/2015	EPWP	Internal Funding	DWA	Budget 2015/14	BUDGET 2015/16	BUDGET 2016/17
WATER	R 21,000,000.00	R -	R -	R 10,000,000.00	R 31,000,000.00	R 44,600,000.00	R 44,600,000.00
SANITATION	R 22,400,000.00				R 22,400,000.00	R 20,000,000.00	R 20,000,000.00
COMMUNITY FACILITIES	R 15,000,000.00				R 15,000,000.00	R 12,000,000.00	R 12,000,000.00
ROADS & STORM WATER RELATED	R 28,663,950.00	R 2,546,000.00	R -		R 31,209,950.00	R 22,000,000.00	R 22,000,000.00
CEMETRIES					R -	R 2,144,250.00	R 1,000,000.00
COMMUNITY LIGHTING	R 7,500,000.00	R -	R 1,200,000.00	R -	R 8,700,000.00	R 5,534,400.00	R 11,330,226.40
Total Other Assets	-	-	10,356,000.00		10,356,000.00	13,300,000.00	25,300,000.00
					R -		
Total Capital Budget	R 94,563,950	R 2,546,000	R 11,556,000	R 10,000,000	R 118,665,950	R 119,578,650	R 136,230,226

The larger portion of the capital budget is on infrastructure to the value of R104,563,950, which is apportioned as follow;

- Water R21, million
- Basic Sanitation R22,4million
- Community facilitation R15,million
- Roads R28,7 million
- High mast light R7,5 million
- Assets renewal of R10.million

9.2 Contribution to capital projects from own revenue

The municipality is contributing R11.556 million in 2014/15 budget, which represent 10% of the capital budget with an assets renewal of R1.2 million

The capital assets and is divided as follows;

- R2,4 million for new technical plant (honey suck, Tipper, Water Tankers, Grader and TLB) . This will improve service delivery as most of our roads are not accessible.
- Computers and Servers R300 thousand,
The lifespan of most computers are fully depreciated and provision is also made for new staff.

- Furniture R256 thousand. The new furniture will cover for new chamber new furniture for new staff and replacement of impaired furniture .
- New council chamber with a value R7 million municipality has no chamber, currently community hall is utilized as a chamber, the arrangement is not really working for the council. Since establishment of Moretele, the municipality is operating in a school donated by Kgosi Mathibe.
- 2 borehole worth R200 thousand for two block of municipal buildings.
- Makay Tent to the value of R 200 thousands.
- Assets renewal of R1.2million

Policies

Budget Policies

1. **Credit Control and debt management Policy**
2. **Banking and Investment Policy**
3. **Rates Policy**
4. **Tariff Policy**
5. **Budget Policy**
6. **Fixed Assets Management Policy**
7. **Indigent Policy**
8. **Supply Chain Management Policy**

Reviewed Policies

- a. **Credit Control and Debt Collection Policy, this amendments are as per COGTA Recommendations and they are as follow;**

- **PART 11 PAYMENTS OF DEPOSITS**

Council shall not charge a service connection deposit under the tribal land households. Council will review the determination of connections deposit annually.

- **PART 12 ALLOCATIONS OF PART-PAYMENTS**

If an accountholder pays only part of any municipal account due, the municipal manager shall allocate such payment with the following steps:

- **PART 19 INTEREST ON ARREARS AND OTHER PENALTY CHARGES**

The due date for all municipal accounts is the 7th day of every month. Interest shall be charged on all arrear accounts at a rate of 9%

- **PART 24 EXPECTED FUTURE PAYMENT LEVELS**

In terms of the budgets approved by the council, and in accordance with commonly accepted best practice, this municipality aims to strive to its utmost ability to ensure that payment levels for the present and future financial years, in respect of all amounts legitimately owing to the municipality – that is, inclusive of the balance of the monthly accounts payable by registered indigents – are maintained at an annual average of at least 20%.

It is generally accepted by this council that payment levels averaging below 20% per month are untenable, and are a certain forerunner of financial disaster for this municipality. Even with payment levels of 20% it means that the council will annually have to provide on its expenses budget a contribution to bad debts of 80% of the aggregate revenues legitimately owing to this municipality – a contribution that is made at the direct cost of improved service delivery and developmental projects.

The only solution to the ongoing problem of non-payment by residents who can afford their monthly commitments to the municipality is to introduce a twofold approach: to promulgate credit control and debt collection by-laws which deal stringently with defaulters, but at the same time – through the formal political structures of the municipality, and in the administration's general dealings with the public – to make the community aware of its legal obligations towards the municipality, and to emphasise the negative consequences for all if non-payment continues. The municipality's ward committees are particularly charged with this responsibility.

b. PART 2 WHO QUALIFIES FOR INDIGENT SUPPORT

Under the Persons who are claiming indigent status (i.e. an inability to pay assessment rates and service accounts in full) must qualify in terms of the following criteria: the policy amended it with the following;

- A household whose combine gross monthly income of all members over 18 years of age must not exceed R3000.00 per month. **(the applicable amount to be aligned with state pension combined. The new combined income of R2,750)**

PART 3 APPLICATION OF THE POLICY

- In respect of water, a 100% subsidy of the fixed availability charge and of metered consumption up to 12 kilolitres per household per month will apply; however, if consumption exceeds 12 kilolitres per metering period (month) the consumer will be charged at normal tariffs for actual consumption on the quantity exceeding 6 kilolitres. If unmetered water is provided, a 100% subsidy of the fixed availability charge will apply.
- In respect of property rates, the rebate shall be 100% of the rates based on the ratable value up to R65 000 and 75% of the rates based on the ratable value above R65 000.

PROCESS MANAGEMENT

Validity Period

- The validity indigent register is to be linked to the term of council.
- State pensioners need not reapply as they automatically qualify by virtue of them being aged and their unchanging status
- Reapplication process to start in April of each year, to be conducted by means of verification by councillors to verify status change for all applicants other than pensioners.

c. Rates policy

Amendment mad on 5.3. Poverty alleviation

The effect of rates on the poor has been taken into account in terms of the municipality's free basic services and indigent support policy. The first **R65 000** of the value of all residential property according to the approval of valuation roll will be exempted from the payment of assessment rates.

9.2 Categories for rating purposes

The categories that are determined in line with section 8(1) of the MPRA, are including State Land as previous was not specified as Ratable Property

Categories

- agricultural
- businesses
- cemeteries
- churches
- educational
- government
- institutions
- public roads
- public spaces
- reservoirs
- residential
- vacant stands
- **state land**
- other (not known

d. Supply Chain Management Policy

In terms circular 62 enhancing compliance and accountability, the policy was amended with the below issues on contract management;

35. CONTRACT MANAGEMENT

35.1 Any increase in the approved contract sum or contract period (in respect of annual bids) that may become necessary as a result of exceptional circumstances

during the contract period, the End User Department must submit it to the Chief Financial officer and Accounting Officer for final approval.

35.2 Where community participation has been a part of the project, the community must be advised of the proposed increase and be invited to provide written comment.

35.3 The period of extension of contract may not exceed a period of more than twelve (12)months.

35.4 Accounting officers of municipalities may be expand contract or vary it by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract.

35.5 Any expansion or variation in excess of these thresholds must be dealt with in terms of the provisions of section 116(3) of the MFMA which will be regarded as an amendment to the contract.

35.6The contents of the above paragraph are not applicable to transversal term contracts, facilitated by the relevant treasuries on behalf of municipalities and municipal entities and, specific term contracts. The latter refers to orders placed as and when commodities are required and at the time of awarding contracts, the required quantities were unknown.

New Policy

Reserve policy- it is been compiled

10. Conclusion

The draft budget for 2014/15 with the total operating revenue and capital grants is R410,447 million, and operating budget and capital budget for 2014/15 is totaling at R410,079 million with a surplus of R368 thousand and SCM policy, Credit Control and debt management policy and Rates policy were amended.

Budget Resolutions

- 10.1. That EXCO and Council note the report
- 10.2. That EXCO and Council approved the Draft Budget 2014/15 to 2016/17 financial years for public comments as attached as Annexure A
- 10.3 That EXCO and Council approve the following draft budget related policies, attached as Annexure B, which includes the following :
 - 3.1 Draft Credit control and Debt Collection policy
 - 3.2 Draft Supply Chain Management Policy
 - 3.3 Draft Indigent and Free basic Policy
104. That EXCO and Council approve draft tariffs for 2014/15 financial year , attached as Annexure C be approved for public comments
- 10.5 Quality Certificate that support the draft budget of 2014/15 financial

Execo Recommendations

1. That the report be noted
2. That council approve the 2014/15 Draft Budget

Council Resolution

1. Council Adopt the 2014/2015 Draft Budget.